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Negotiating for Innovative Service

EVEN IN THE BEST of circumstances, where the product is easily definable and there is a plentitude of suppliers, contracts can be difficult. The minute one moves into the computer world with its infinite variety of hardware, software and combinations thereof, the difficulties grow geometrically. Add the factor of a new product to the combination and the odds might appear insurmountable. However, by the end of this paper, I trust that the reader will have gained an idea at least of the process used in this one instance to negotiate a contract for an innovative service.

The key to success in this kind of venture is finding a vendor who is trustworthy and willing to adapt, change and be creative in the problem-solving process. The product has to be viewed as a joint effort with mutual benefits. Try to avoid the "us-versus-them" syndrome.

The Setting

Marin is a well-to-do county located just north of San Francisco. The people there have a high per capita income, are well educated and generally support educational institutions very well. Marin County has a population of 216,000 spread over an area of 600 square miles in a suburban-rural mix. There are 5 city libraries serving about 86,000 people. The remaining 130,000 people, spread over 560 square miles, fall within the county library's service area, which encompasses 6 incorporated cities or towns and 12 villages scattered in the unincorporated rural area. To serve this area there are a central library, three large branches, two small

branches, six stations and a bookmobile. In FY 1977, the library had an operating budget of \$1,462,000, with a staff of fifty-five full-time employees plus five CETA employees.

The History

In 1972 the County Administrator's Office (CAO), the personnel department and the county librarian agreed to a personnel audit of all positions. The audit suggested that a policy of promoting public access to any and all materials desired was creating a demand for materials which was growing at a steady arithmetic rate, while the staff time needed to handle the additional workload was increasing at a much faster rate. The geometric increase in workload was caused by: (1) an increase in requests, (2) growing files, and (3) a growing complexity of requests. The personnel findings led to a recommendation to the CAO that certain functions be automated. This in turn led to a self-administered, detailed task-time study of one month's duration. The study provided the hard data necessary to do cost comparison analysis preliminary to installation of any new system. It also reinforced the CAO's authorization to "go ahead and automate as long as it doesn't take any programming manpower from the County Data Processing Department."

The Problem

Our short-term problem was to come up with an automated system which would either stop or reverse the geometric increase in staff time needed to maintain and search the bibliographic files. The long-term goal was to design the bibliographic phase so that it would be an integral part of an overall system, including selection, acquisition, cataloging, circulation and inventory control.

The apparent solution to the short-term problem was a union catalog in book form, with production and maintenance performed by a computer utilizing a machine-readable data base. This, in turn, presented a number of questions: (1) Should we use a vendor or do the work in-house? (2) If the work were done in-house, where would programs be obtained? (3) Should the backfile be converted or ignored? (4) If the backfile were converted, how would it be done? and (5) Would new records be added to the file by keying in-house, or by extracting LC MARC records, or by having a vendor key the records? All these concerns may seem to be quite removed from contract negotiation; however, each of them helped to shape the final contract.

The Search

With an automated book catalog as the goal, the search began. First, other California libraries which were actively automating some process were surveyed. This survey, which consisted of on-site visits whenever

possible and telephone calls when they were not, lasted about eight months. During this time it became apparent that a catalog in microform was cheaper and better from the standpoint of flexibility, so the hard-copy book catalog idea was dropped. The decisions which evolved from the survey were:

1. A catalog in microform would be produced.
2. A vendor would be employed to perform ongoing maintenance, update the files, produce the catalog, and maintain the data base.
3. The initial backfile conversion would be accomplished by matching Marin County's "location file" (a main entry file in alphabetical order with holdings and location indicated) with an existing machine-readable data base.
4. Once the conversion was begun, all new titles would go into the microform catalog.
5. The card catalogs would be closed.
6. The remaining backfile would be converted as replacements were ordered and received, and as time and money became available.
7. The data base would be LC MARC compatible and, if returned to us for other use, would be in the MARC communications format.

With those decisions made, it was necessary to look for a vendor who could attempt two innovative processes within the single overall system. At that time, neither backfile conversion using an existing data base nor the microform catalog for a complete public library collection had yet been tried. The initial contact was a brief letter to three or four known vendors of book catalogs to express our desire to convert the backfile and produce a microform catalog. This was followed by personal contacts with three of the vendors at the California Library Association (CLA) annual conference. After the conference, a more detailed letter that spelled out the microform possibilities, the conversion process desired and the LC MARC compatibility requirement was sent to five vendors (all of whom had produced book catalogs from bibliographic data bases) to request estimated unit prices for the conversion process. The procedures and responses varied.

The first vendor (Vendor A) received a County Librarian (CL)-originated letter, followed by a telephone call. There was a conversation (county-originated) at the CLA conference, followed by another telephone call from CL and, finally, another letter. There was no response from the vendor to any of these initiatives.

The second vendor (Vendor B) received a letter from CL, and responded with three or four conversations and/or telephone calls. The result was a proposal from the vendor to keypunch a search key which would be matched against the LC MARC file. The price quoted was for

the total job without a breakdown per item. We were, however, looking for a per unit cost in order to maintain maximum control.

The third vendor (Vendor C) received a letter from CL and responded with a telephone call. The county then initiated a personal contact at the CLA conference and followed it with a letter. The vendor responded to this effort with another telephone call. The result was a proposal to convert the total file by keypunching a search for matching and complete keypunching of all the nonmatches. The vendor was unwilling to allow us to do the matching in-house, and wanted to do the complete file as a package. They did not understand the fiscal constraints of the project, nor the need for in-house control of some aspects of the conversion.

The fourth vendor (Vendor D) participated in a conversation during the CLA conference, and strongly advised against a film catalog: "A book catalog is the only solution; the public will not use a microform catalog." (Today this vendor is advertising microfilm catalogs.)

The fifth vendor (Vendor E) received a more detailed letter spelling out the project and requesting quotes, and responded by telephone. Three and one-half months passed without any contact, and then the vendor's new department head made another telephone call. The vendor visited the library and gathered a sample of titles. This was followed by another telephone call from the vendor reporting on ultrafiche versus fiche or roll film costs — with a recommendation not to buy ultrafiche. As a result, a good proposal was developed by the vendor dealing with most of the local concerns based on staged conversion and production. Their price was competitive with the sixth vendor. However, inasmuch as they had "lost" the file on this project for three and one-half months, there was concern about their consistency and dependability.

A visit from the sixth vendor (Vendor F) resulted in a long discussion about backfile conversion strategies. This contact was followed by a letter to the vendor, two or three telephone calls from CL, and another letter outlining additional details vis-à-vis the library's requirements. The vendor then made another visit. The resulting proposal provided unit prices for conversion with a range of prices (dependent on how much was done by the library and how much by the vendor). Production prices were based on the number of frames printed, with control of length and format of entries to be the complete responsibility of the library. Charges were specified for current additions by either vendor or library, as were prices for corrections/deletions.

Concurrent with the vendor search, the county purchasing agent was consulted as to the advisability of going to bid with a very specific document as opposed to a general contract to be signed after the vendor was selected and prices agreed upon. He raised the following questions:

1. Could we define the product exactly enough to include specifics in a bid document?
2. Was this an established product with a number of suppliers?
3. Was there a vendor who would sign a contract with no minimum guarantee and with the county controlling production?
4. Was the library staff competent to determine whether a satisfactory product was delivered at the specified unit pricing?

After considerable discussion it was agreed to use a short general contract and to attach a letter of understanding which would include unit prices. This was arrived at through the following rationale:

1. With the county controlling input and production cycles, there would be comparatively little financial exposure.
2. By not spelling out the product exactly, we could add, delete, modify or even change formats in order to get the best working product within the dollar constraints at any time.
3. This would also be an incentive for the vendor to improve the processes and/or the product as we could accept the changes and improvements without amending the contract document each time.
4. This flexibility would be of major benefit to the county in that change could be made as technology advanced.
5. This form of contract would require a good deal of communication on a regular basis which would in turn lead to more satisfaction on both sides and a better product.

Negotiation

Most of the negotiations took place during the end of the vendor search period. In meetings and telephone conversations, as the concepts and implementation strategies were discussed and worked out, unit prices would be one of the points of discussion. These were usually approached both from what the county considered a reasonable price and what the vendor could live with while still making a profit. As prices surfaced, library staff cross-checked with county data processing and/or a vendor of a similar service. For example, it was very easy to run down a variety of per fiche reproduction costs depending on frequency and volume. When the price seemed satisfactory, county staff indicated this to the vendor(s); if the price seemed out of line, discussions resumed until agreement was reached. During this time, the following costs were found to be those needed in order for the county to maintain fiscal control of the project:

1. production costs of COM master to be quoted as a per frame price (including all computer time, tapes, etc.);
2. unit cost of adding a record;
3. unit cost of correcting or deleting a record;
4. unit cost of duplicating the microform catalog;

5. unit cost of extracting backfile records in the initial conversion;
6. unit cost of re-exploding the complete file;
7. start-up costs;
8. the estimated cost of a built-in requirement allowing the library to get a copy of the data at any time; and
9. ending costs.

Vendor Decision and Contract

We finally narrowed our search to vendors C, E and F. The pricing structure of Vendor C was unsatisfactory, as the total cost included only the first edition of the catalog and a probable ongoing cost. Moreover, this vendor had a strong commitment to roll film, and we hadn't decided yet between roll film and fiche. Vendors E and F had very similar costs for conversion and ongoing production. Vendor E had a slight edge in potential backfile titles available (about 5 percent); however, the lackadaisical attitude in presenting a proposal (plus the fact that the employee who had rescued the file was leaving) left us with some trepidation about the vendor's ability to perform. Vendor F remained, and as we came to an understanding of procedures, process and price, we asked this vendor for a formal proposal spelling out the costs and other details.

County library staff then requested county counsel to draft a very simple contract (see Appendix) spelling out our requirements and referring to the vendor's proposal which was then attached to the contract. The proposal and the contract were so easy at this point that they were almost anticlimactic. This simple contract and proposal have served us well, however; the first contract written for one year with monthly extensions lasted twenty-four months, at which time a similar 3-year contract was signed.

Provisions Not Covered by the Contract

This kind of contract may leave a number of items not covered, and both parties must be aware of this and willing to work on developing the best end product. The following items were not mentioned in our contract: (1) film format, (2) text format, (3) data elements included, (4) number of catalogs, (5) production frequency, (6) supplemental catalogs, (7) penalties or time constraints, (8) reduction ratio, (9) how or from where data are to be delivered, and (10) cross-reference file.

Conclusion

In order for this kind of process to work successfully, a number of factors must be observed:

1. One must be honest and open with vendors, particularly in letting them know that other vendors are being considered as well.
2. Vendors should be informed when a decision is made and why.

3. The library staff must understand pricing structures and have a good grasp of the potential of the technology to be used.
4. Deadlines must be established and kept, even though this is not a formal bid process.
5. There must be trust and an understanding that the relationship will be one of mutual benefit.
6. Both parties must realize that there is a number of items to be worked out or experimented with during the term of the contract.
7. Both sides must realize that compromises will have to be made, but that they should be made with the best, most usable end product within the price constraints as the goal.
8. The vendor cannot be expected to lose money and continue to exist.

APPENDIX

AGREEMENT

THIS AGREEMENT, made and entered into this 11th day of June 1974, by and between the COUNTY OF MARIN, a Political Subdivision of the State of California, hereinafter referred to as "COUNTY" and "_____", hereinafter referred to as "CONTRACTOR":

WITNESSETH:

In consideration of the mutual covenants and conditions contained herein, the parties agree:

1. "CONTRACTOR" will produce microfilm catalogues for "COUNTY's" library in accordance with "CONTRACTOR's" proposal, dated May 1, 1974, a copy of which is attached and made a part hereof.

2. "CONTRACTOR" shall be paid monthly for work accomplished on the basis of billings approved by County's Librarian. All work shall be compensated at the rates set forth in the aforementioned proposal.

3. The quantity of work shall be determined by the amount of material transmitted to "CONTRACTOR" by "COUNTY" for transfer to microfilm. It is specifically understood and agreed that "COUNTY" is not obligated to transmit any minimum amount of material. "COUNTY's" decision as to the amount of work to be done, in any month or pursuant to the entire contract shall be final.

4. This Agreement shall remain in effect for a period of one year from June 11, 1974 to June 11, 1975. Thereafter the Agreement shall be deemed automatically extended for additional periods of thirty (30) days unless either party gives the other written notice to the contrary.

5. It is specifically understood and agreed that, while rendering services hereunder, "CONTRACTOR" is an independent contractor, not any agent of "COUNTY" for any purpose whatsoever.

IN WITNESS WHEREOF, the parties have entered into this Agreement the day and year first above written.

COUNTY OF MARIN

By _____
"COUNTY"

By _____
"CONTRACTOR"